

PUBLIC DISCLOSURE

AUGUST 25, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BROTHERHOOD CREDIT UNION

75 MARKET STREET
LYNN, MA 01901

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Brotherhood Credit Union (or the "Credit Union")** prepared by the Division, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

The rating of this institution is established upon five performance criteria as shown in the public evaluation. The Credit Union's average net loan-to-share ratio over the past two years stands at 52.8 percent.

During 2003 and 2004, the Credit Union granted 65.8 percent of its Home Mortgage Disclosure Act ("HMDA") reportable loans by number and 63.9 percent of the dollar amount of HMDA reportable loans within its assessment area. In addition, for the period under review, the Credit Union granted 70.0 percent of a sample of consumer loan originations by number and 52.5 percent of the dollar amount of the sample of consumer loans within its assessment area.

The Credit Union has granted 30.6 percent of its HMDA reportable loans for the period under review to low and moderate-income borrowers. In addition, for the same period, the Credit Union has granted 68.6 percent of a sample of consumer loans to low and moderate-income borrowers. Although this number appears to be quite high, most of the borrowers were single applicants rather than joint applicants.

Throughout 2003 and 2004, the Credit Union originated 3.3 percent of its HMDA reportable loans within its assessment area in low-income census tracts, followed by 24.0 percent in moderate-income census tracts.

There were no complaints received by the Credit Union pertaining to its CRA performance and the fair lending examination revealed no evidence of discriminatory or illegal credit practices.

PERFORMANCE CONTEXT

Description of Institution

Brotherhood Credit Union is a community credit union established in 1934. The Credit Union's by-laws limit the membership to individuals who work or reside within the Counties of Essex, Suffolk, Middlesex, and Norfolk.

Brotherhood Credit Union has assets of approximately \$110 million and is located at 75 Market Street in downtown Lynn, Massachusetts. The Credit Union's hours of operation are Monday through Wednesday from 8:30 am to 4:00 pm, Thursday from 8:30 am to 6:00 p.m., Fridays 8:30 a.m. to 4:00 p.m., and Saturdays from 9:00 a.m. to 12:00 p.m.

As of June 30, 2005, 35.7 percent of the Credit Union's assets were in the form of loans. The Credit Union offers a wide range of loan products, including first mortgage loans with fixed and adjustable interest rates; second mortgages; construction loans; home equity loans; home improvement loans; new and used automobile loans; unsecured personal loans; credit cards; and share secured loans. Loans secured by real estate accounted for 86.6 percent of the total portfolio. The following is a breakdown of the Credit Union's loan portfolio as it appears on the June 30, 2005 Statement of Condition.

Loan Portfolio as of June 30, 2005

Type of Loans	\$	% total
Loans Secured by Real Estate		
a. First Mortgage Real Estate Loans	25,588,907	65.0%
b. Other Real Estate Loans	8,528,118	21.6%
Subtotal -	34,117,025	86.6%
Consumer Loans		
a. Unsecured Credit Card Loans	532,727	1.4%
b. All Other Unsecured Loans	138,055	0.3%
c. New Vehicle Loans	2,640,059	6.7%
d. Used Vehicle Loans	1,761,890	4.5%
Subtotal - Consumer Loans	5,072,731	12.9%
All Other Loans		
Other	220,127	0.5%
Total Loans	\$ 39,409,883	100.0%

Source: Statement of Financial Condition as of 06/30/05

The Credit Union was rated Satisfactory at the previous examination for compliance with the CRA on February 3, 2000.

PERFORMANCE CONTEXT

Description of Assessment Area

Brotherhood Credit Union defines its assessment area as the cities of Lynn, Peabody, and Salem and the towns of Marblehead, Nahant, Saugus, and Swampscott. All of these cities and towns fall within the Boston Metropolitan Statistical Area ("MSA") for 2003 and the Essex County MA MD for 2004.

Assessment area 2003/2004

Based on census data for 2000, the assessment area is comprised of 51 census tracts. The breakdown of these tracts is as follows: 8 or 15.7 percent are low-income, 12 or 23.5 percent are moderate-income, 27 or 52.9 percent are middle-income, and 4 or 7.8 percent are upper-income.

Census demographic data obtained from CRA WIZ indicate that the Credit Union's assessment area contains a total population of 242,085 individuals of which 19.1 percent were minorities. There are 98,372 housing units within the assessment area of which 57.9 percent are owner-occupied, 39.1 percent are rental-occupied and 3.0 percent are vacant housing units. Households living below the poverty level represent 10.6 percent of total households throughout the assessment area.

The following table provides demographic and economic information pertaining to the Credit Union's assessment area.

<i>Selected Housing Characteristics by Income Category of the Geography</i>						
<i>Geographic Income Category</i>	<i>Percentage</i>					
	<i>Census Tracts (2003)</i>	<i>Census Tracts (2004)</i>	<i>House holds</i>	<i>Housing Units</i>	<i>Owner- Occupied</i>	<i>Rental Units</i>
<i>Low</i>	15.7%	7.8%	12.0%	12.0%	3.5%	24.2%
<i>Moderate</i>	23.5%	31.4%	19.9%	20.1%	13.7%	29.3%
<i>Middle</i>	52.9%	47.1%	56.7%	56.4%	68.1%	40.0%
<i>Upper</i>	7.9%	13.7%	11.4%	11.5%	14.7%	6.5%
<i>Total or Median</i>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

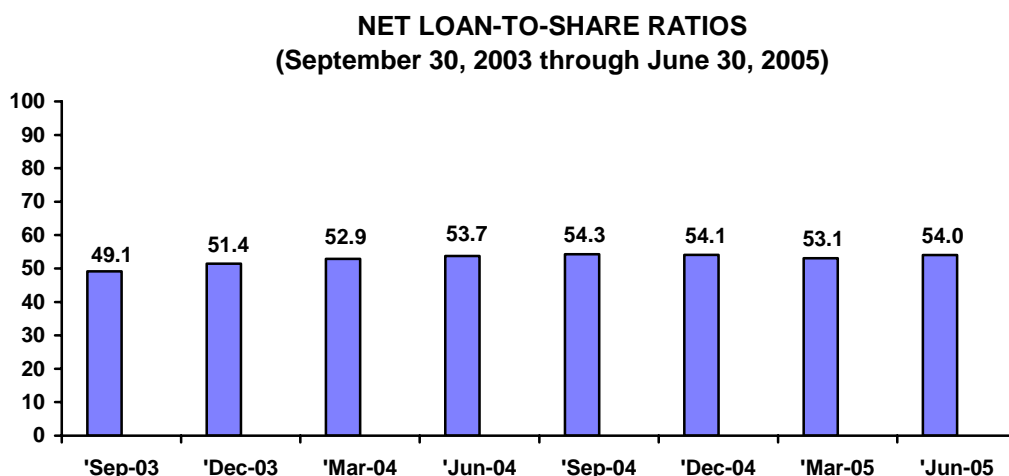
Source: 2000 U.S. Census

Aggregate data generated from PCI Inc., CRA WIZ for lending purposes only, consists of 392 mortgage companies, savings banks, commercial banks, cooperative banks and credit unions, which have either purchased or originated residential mortgage loans within the Credit Union's assessment area.

PERFORMANCE CRITERIA

1. LOAN TO SHARE ANALYSIS

A comparative analysis of Brotherhood Credit Union's quarterly net loan-to-share ratios for the period of September 30, 2003 through June 30, 2005, was conducted during this examination. Using the Credit Union's quarterly National Credit Union Administration 5300 reports, the average net loan-to-share ratio for this period is 52.8 percent. This ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses (ALLL) as a percentage of total shares. The following graph is provided for further analysis.



The loan to share ratio stood at 54.0 percent as of June 30, 2005. As mentioned above, this ratio has averaged 52.8 percent over the previous eight quarters and has been quite steady over the time period. A comparison of the dollar amount for the Credit Union's loans and shares as of September 30, 2003 was compared to that of June 30, 2005. This comparison revealed that loans have increased by \$2,756,364 or 7.5 percent, while shares for the same period decreased by \$1,615,790 or 2.2 percent.

Based upon the above information and the Credit Union's capacity to lend, asset size, and the credit needs of the membership, the Credit Union's net loan-to-share ratio meets the standards for satisfactory performance.

PERFORMANCE CRITERIA (CONTINUED)

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

A review of Brotherhood Credit Union's 2003 and 2004 HMDA data was conducted to determine the geographic distribution of residential loans. This information indicated the Credit Union originated 184 HMDA reportable loans during this period. A total of 121 loans or 65.8 percent were originated within the Credit Union's assessment area. Refer to the following table for information.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2003	95	64.2%	11,589	61.9%	53	35.8%	7,140	38.1%
2004	26	72.2%	2,872	73.4%	10	27.8%	1,042	26.6%
Total	121	65.8%	14,461	63.9%	63	34.2%	8,182	36.1%

Source: 2003 and 2004 HMDA DATA

As depicted in the above table, residential lending within the assessment area accounts for a majority of loans originated.

An additional review of a sample of 50 consumer loans originated in 2003 and 2004 was also conducted during this examination. The sample was comprised of a mixture of automobile loans and unsecured installment loans. Of the 50 loans reviewed, 35 or 70.0 percent of the number of loans originated were within the Credit Union's assessment area and \$222,925 or 52.5 percent of the dollar amount extended was also within the assessment area.

Distribution of a Sample of Consumer Loan Originations Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans		Number of Loans		Dollars in Loans	
	#	%	\$	%	#	%	\$	%
2003	18	72.0%	102,038	57.6%	7	28.0%	75,005	42.4%
2004	17	68.0%	120,887	48.8%	8	32.0%	126,995	51.2%
Total	35	70.0%	222,925	52.5%	15	30.0%	202,000	47.5%

Source: 2003 and 2004 Sample Review/Credit Union records

PERFORMANCE CRITERIA (CONTINUED)

As illustrated in the table above, the majority of the consumer loans by number and dollar amount extended were within the Credit Union's assessment area.

Based on the above information, Brotherhood Credit Union meets the standards of satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of the Brotherhood Credit Union's HMDA, Loan Application Register ("LAR") and a sample of originated consumer loans for the period 2003 and 2004 was conducted to determine the distribution of credit based upon the income levels of borrowers. These income figures are based on estimated Department of Housing and Urban Development ("HUD") information. Information indicates that median family incomes for 2003 and 2004 are \$80,800 and \$76,000, respectively.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA/MD; moderate-income is defined as 50 to 79 percent of the median family income; middle-income is defined as income between 80 and 119 percent of the median family income; and upper-income is defined as income greater than 120 percent of the median family income.

The following table illustrates residential loans originated and categorized by the applicants' reported income in relation to the median family income for the Boston MSA and the Essex County MA MD during 2004.

Distribution of HMDA Reportable Loans Within the Assessment Area to Borrowers of Different Income Levels by Number

Borrower Income Level	Total Households		2003		2004		Total	
	#	%	#	%	#	%	#	%
< 50%	11,472	12.0%	4	4.2%	1	3.9%	5	4.1%
50 – 79%	19,015	19.9%	25	26.3%	7	26.9%	32	26.5%
80 – 119%	54,038	56.7%	28	29.5%	9	34.6%	37	30.6%
> = 120%	10,867	11.4%	38	40.0%	9	34.6%	47	38.8%
Total	95,392	100.0%	95	100.0%	26	100.0%	121	100.0%

Source: HMDA/LAR Data for the period 1/1/03 to 12/31/04

An additional review was completed to compare Brotherhood Credit Union with all other HMDA-reporting lenders throughout the assessment area for 2003. This review indicates that 29 or 30.5 percent of the total HMDA reportable loans from within the Credit Union's assessment area were to applicants of low and moderate-income.

The Credit Union's percentage of lending to borrowers of low-income was slightly below that of the aggregate by number and dollar amount for 2003. Brotherhood Credit Union originated 4.2 percent by number and 2.9 percent by dollar amount of the total loans within the assessment area to low-income borrowers, compared to the aggregate with 7.6 percent by number and 4.8 percent by dollar amount.

PERFORMANCE CRITERIA (CONTINUED)

The Credit Union's HMDA reportable loans originated during 2003 to moderate-income borrowers accounted for 26.3 percent by number and 23.0 percent by dollar amount within the assessment area. Both number and dollar volume are slightly above the aggregate's lending to moderate-income borrowers for 2003 as 24.3 percent by number and 20.3 percent by dollar volume of the aggregate's lending were originated to moderate-income borrowers.

The following table provides a breakdown of a sample of consumer loans originated among the Credit Union's membership by applicant income level.

Distribution of Consumer Loans Within the Assessment Area to Borrowers of Different Income Levels by Number

Borrower Income Level	2003		2004		Total	
	#	%	#	%	#	%
< 50%	10	55.5%	7	41.3%	17	48.6%
50 – 79%	4	22.2%	3	17.6%	7	20.0%
80 – 119%	1	5.6%	3	17.6%	4	11.4%
> = 120%	2	11.1%	3	17.6%	5	14.3%
N/A	1	5.6%	1	5.9%	2	5.7%
Total	18	100.0%	17	100.0%	35	100.0%

Source: Consumer Loan Sample for the period 1/1/03 to 12/31/04

Brotherhood Credit Union's loan distribution to borrowers of different income levels reflects a reasonable penetration of low and moderate-income members and meets the standards of satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

An analysis of mortgage loans extended within the various census tracts contained in the Credit Union's assessment area was also conducted during the examination. As mentioned previously, the Credit Union's assessment area for 2003 is comprised of 51 census tracts. 8 or 15.7 percent are low-income, 12 or 23.6 percent are moderate-income, 27 or 52.9 percent are middle-income, and 4 or 7.8 percent are upper-income. Changes in 2004 indicate the assessment area still maintains 51 census tracts, 4 or 7.8 percent are low-income, 16 or 31.4 percent are moderate-income, 24 or 47.1 percent are middle-income, and 7 or 13.7 percent are upper-income.

As shown in the following table, 27.3 percent of the Credit Union's residential loans were originated in low and moderate-income census tracts. The majority of HMDA reportable loans (63.6 percent) were granted within the middle-income census tracts. The following table illustrates HMDA reportable loans extended within the various census tracts for 2003 and 2004.

PERFORMANCE CRITERIA (CONTINUED)

HMDA REPORTABLE LOANS BY CENSUS TRACT

CENSUS TRACT	2003		2004		TOTAL	
	#	%	#	%	#	%
LOW	4	4.2%	0	0.0%	4	3.3%
MODERATE	22	23.2%	7	26.9%	29	24.0%
MIDDLE	58	61.0%	19	73.1%	77	63.6%
UPPER	11	11.6%	0	0.0%	11	9.1%
TOTAL	95	100.0%	26	100.0%	121	100.0%

Source: HMDA/LAR Data – 2003 & 2004

The Credit Union's geographic distribution is considered reasonable and is considered to meet the standards for satisfactory performance.

5. REVIEW OF COMPLAINTS

A review of the Credit Union's public comment file indicated that the Credit Union received no complaints pertaining to its CRA performance since the previous examination.

FAIR LENDING POLICIES AND PRACTICES

A review of the Credit Union's residential loan application files was conducted to evaluate fair lending policies and procedures. A review was conducted for compliance with fair lending regulations and no evidence of discrimination was detected.

Brotherhood Credit Union does have a formal written fair lending policy that includes a second review on all denied applications. Training on workplace diversity was conducted for all employees during 2004.

MINORITY APPLICATION FLOW

Brotherhood Credit Union's LAR for 2003 was reviewed to determine if the application flow was reflective of the area's demographics. Of the total 122 HMDA reportable applications received from within the Credit Union's assessment area for 2003, 107 or 87.7 percent were from white applicants and 9 or 7.4 percent were from minority applicants. The remaining 4.9 percent provided no race information. Of the total applications received from minority applicants, six were originated, two were withdrawn and one was denied.

Brotherhood Credit Union's minority application flow in 2003 was also compared to all other HMDA reportable lenders accepting applications from within the Credit Union's assessment area. The Credit Union falls below the aggregate in total lending to minority individuals. Refer to the following table to observe how the Credit Union compared to the aggregate in 2003.

PERFORMANCE CRITERIA (CONTINUED)

Race	Aggregate Data 2003*		Credit Union 2003	
	#	%	#	%
<i>Native American</i>	114	0.2	0	0.0
<i>Asian</i>	761	1.7	4	3.3
<i>Black</i>	1,031	2.3	3	2.5
<i>Hispanic</i>	2,473	5.4	2	1.6
<i>Other</i>	800	1.8	0	0.0
Total Minority	5,179	11.4	9	7.4
<i>White</i>	30,448	67.2	107	87.7
<i>Not Provided</i>	6,678	14.7	6	4.9
<i>Not Applicable</i>	3,036	6.7	0	0.0
Total	45,341	100.0	122	100.0

2003 CRA WIZ Data

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 75 Market Street, Lynn, MA 01901."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.